

Johnson

PROMISSORY NOTES & DRAFTS.

WHAT A BUSINESS MAN SHOULD KNOW
REGARDING THEM,

—BY—

J. W. JOHNSON, F. C. A.,

AUTHOR OF "JOHNSON'S JOINT STOCK COMPANY BOOK-KEEPING,"
JOINT AUTHOR OF "THE CANADIAN ACCOUNTANT," PRINCIPAL
ONTARIO BUSINESS COLLEGE, AND ONE OF THE
EXAMINERS FOR THE INSTITUTE OF CHARTERED
ACCOUNTANTS OF ONTARIO.

PUBLISHED BY ONTARIO BUSINESS COLLEGE,
BELLEVILLE.

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BELLEVILLE:
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PREFACE.

In the "Business Paper Class" of the Ontario Business College the Author has for the last twelve years been lecturing upon and teaching such subjects as this pamphlet treats of; and as a Practical Accountant and Business Man has been for more than twenty years in daily association with them. The pamphlet was primarily prepared for the Students of the class, and is one of a series covering the whole ground of Commercial Papers. The faithful study of its contents, even by those not having the advantages of the lectures and black-board work in the class room, and the practical work in the College, will prove helpful in doing business.

Before being printed in its present form, the matter contained herein was published in the September and October numbers of the *Educational Journal*, Toronto, 1888.

J. W. JOHNSON.

ONTARIO BUSINESS COLLEGE, }
Belleville, October, 1888. }

[Entered according to Act of the Parliament of Canada, in the year One Thousand Eight Hundred and Eighty-Eight, by J. W. Johnson, at the Department of Agriculture.]

PROMISSORY NOTES AND DRAFTS.

A person has become indebted to you either for goods sold or work done, and you have duly placed the amount to his debit in your ledger, but you find that it will be much more advantageous to you to have this resource or asset of your business in another form, so you obtain from your debtor his promissory note, or get him to accept your draft. Should you desire that the amount owing to you be paid to some one to whom you are indebted, then you will draw the draft payable to his order. Your object in obtaining the written obligation is three-fold ;—

1st. It is in itself an evidence of the debt, requiring no confirmation (unless the signature be challenged) nor proof of the consideration given for it, nor the production of the original entry.

2nd. It fixes a definite time, and usually a stated place, for the payment, so that the holder, when it falls due, will not have the trouble of hunting up the maker, nor the maker of finding the holder. The former having provided the funds at the place where he promised to pay it, the holder has simply to present it there and obtain them, a matter of much convenience to both parties.

3rd. It is an instrument upon which, after endorsing it, you may borrow money from a bank or private lender. This is called discounting. In other words, by the medium of the bill or note as security, you obtain the use of other people's capital, paying therefor a discount from the face of the instrument, which is the simple interest, in advance, upon the whole amount for the time it has to run.

A promissory note is a written promise to pay, without any conditions, a specified sum of money on demand, or at a fixed or determinable future time. The person who gives a note is called the drawer, promissor, or maker ; the person in whose favor it is drawn is called the payee ; if he signs his name upon the back for the purpose of transferring or guaranteeing it, he becomes the endorser, and if he names the person

to whom he transfers it the latter is called the endorsee ; either of these, or anyone in possession of a note, may be called the holder.

Forms of Notes.

Notes may be made (1) non-negotiable, (2) negotiable by endorsement, (3) negotiable without endorsement. The first is made payable to the individual only, and can only be transferred by assignment, which carries with it all offsets and legal defences that may exist between the original parties ; the second is transferred by endorsing, which makes the endorser liable for payment in the event of the maker failing to pay ; the third is transferred by simply handing it over, just as a bank note is passed from hand to hand. A note may be transferred either before or after it is due. When taken before maturity the assignee is not affected by any circumstances, of which he had no notice, existing between the antecedent parties to the note. When received after maturity, the assignee takes the note subject to all the equitable rights existing between the parties.

A Non-Negotiable Note.

\$100.00

BELLEVILLE, October 26, 1886.

Three months after date I promise to pay to William McCabe, at the Bank of Montreal here, the sum of One Hundred Dollars, for value received.

JOHN SMITH.

A Note Negotiable by Endorsement.

\$387.80

TORONTO, October, 26, 1886.

Five months after date I promise to pay to the order of E. A. Wills the sum of Three Hundred and Eighty-Seven $\frac{80}{100}$ Dollars, at the Canadian Bank of Commerce in Toronto, for value received.

JOHN SMITH.

A Note Negotiable Without Endorsement.

\$50.00

HAMILTON, October 26, 1886.

Thirty days after date I promise to pay William Green or bearer, at my office in Hamilton, the sum of Fifty Dollars for value received.

JOHN SMITH.

A Note Payable on Demand.

\$35.00

MONTREAL, Oct. 26th, 1886.

On demand, for value received, I promise to pay to the order of W. B. Robinson, the sum of Thirty-Five Dollars.

JOHN SMITH.

A Joint and Several Note.

\$75.00

BELLEVILLE, October 26th, 1886.

Six months after date we jointly and severally promise to pay to the order of S. G. Beatty the sum of Seventy-Five Dollars, at the office of the Dominion Bank in Belleville, for value received.

HENRY BROWN,
JOHN SMITH,
JAMES G. LEONARD.

The holder of a joint and several note has recourse against all the makers, individually and collectively. Should he be obliged to sue, and recover the amount from one of the parties, *he* would have recourse against the others for their proportions.

The Rights of a Third Party in a Negotiable Note.

No arrangement between the maker and payee of a negotiable note can affect the right to collect of a third party who acquired the instrument in good faith, before maturity, for valuable consideration.

The Rights of an Assignee of a Non-Negotiable Note.

In transferring by assignment a non-negotiable note the assignor cannot transfer to the assignee more than he himself possesses,—for example, Henry Ellis gave John Wilson a non-negotiable note for \$300. Wilson assigned it to Alex. Thomson. After it was given, and before it was assigned, Wilson became indebted to Ellis in the sum of \$100, and this amount he has the right to set off against the note when the assignee, Thomson, presents it for payment. Had it been a negotiable instrument, payable to bearer or order, the maker would have been bound to pay the third party the full amount, irrespective of the debt which the payee owed him. This example illustrates the difference between a negotiable and a non-negotiable note.

*An Accommodation Note.

is one on which a person lends his name as an endorser to enable the maker to borrow money upon it. It flatters some men's vanity to be told that such and such a bank would discount a note if they would put their name on the back of it, and in a moment of weakness they assume a liability for another which, very often, they can

*See "Accommodation Draft" page 17.

of the manufacturer, bailor or vendor of same painted, printed, stamped or engraved thereon, or otherwise plainly attached thereto.

Any proposed purchaser of the article can demand and is entitled to receive within five days from the manufacturer, bailor or vendor, claiming ownership, full information respecting the amount due and the terms of payment, and if he refuse to give such information he will be liable to a fine of \$50. The inquiry may be made by letter, giving the name and address to which a reply may be sent, and it will be sufficient if the reply giving the information be made by registered letter within five days.

If possession be taken of the article for breach of condition it may be redeemed within twenty days, by full payment of the amount due, and the cost of taking possession. If the goods taken were sold or bailed originally for a greater sum than \$30.00, they shall not be sold, when seized for breach of condition, without five days notice to the bailee or his successor in interest, by personal service of notice, or leaving it at his residence or last known place of abode in Ontario, or sent by registered letter seven days before the time when the said five days will elapse, addressed to the last known post office address in Canada of the bailee or his successor in interest.

A copy of the receipt note must be left with the bailee at the time of the execution of the instrument, or within twenty days thereafter.

The manufacturer, bailor or vendor may file a copy of the instrument with the Clerk of the County Court of the county in which the bailee resided at the time of the conditional purchase within ten days from its execution and thereby relieve himself from some of the provisions of the act.—*See Ontario Statutes 1888, Cap. 19.*

Legal Rate of Interest.

The rate of interest that can be legally collected upon an overdue note, or any debt, on which the rate is not fixed by agreement, is six per cent. per annum. It is important when drawing a note that is to bear a higher rate than six per cent. that the words "AS WELL AFTER AS BEFORE MATURITY UNTIL PAID" be inserted. If they, or words to the same effect, are not inserted, the note would bear interest at the higher rate till maturity, but after that only the legal rate.

There is no usury law in this country, nor is it desirable that there should be. Money, like any other commodity, will bring for its use

to the owner usually just what it is worth, considering the risk run and the demand and the supply. If a lender is content with a fair rate of interest he can readily find borrowers with good security to offer, and the grasping man can find customers too, who will promise a high rate of interest, but offer poor security for the fulfilment.

Days of Grace.

The custom among merchants has established the practice, which is recognized in law, of allowing three days of grace upon all promissory notes, drafts, and bills of exchange not payable on demand. No time bill is legally due until the days of grace have expired. In preparing to meet your own paper, or in presenting for payment that of your customers, bear this fact in mind, and be careful when entering the due dates in your bill book to add the three days of grace. To illustrate: A note given at three months from October 26 would not fall due till January 29. A note given at ninety days from October 26 would not fall due till January 27.

Power of Attorney.

It is customary for firms to grant to their managing accountants the power to draw bills, sign notes, accept drafts, draw cheques, and generally transact their financial business. This authority is conveyed and exercised under a document called a Power of Attorney. It may be special or general—special in confining the exercise of it to a limited number of acts, general by the conveyance of the authority to act for the firm in carrying on its ordinary financial operations. The usual way for a person who is acting under a power of attorney to sign business papers is to sign the firm name and place his own underneath with the words "per pro" or letters "p. p." before it, thus:

J. C. Morgan & Co.
per pro J. W. Johnson.

The abbreviations stand for the phrase "by procuration."

When a Note Becomes Outlawed.

A bill or note becomes outlawed six years after the date of maturity, or after the date of the last payment on account, or after the last written acknowledgment. That is, the holder of such a note cannot recover upon it if the maker, on being sued, sets up in defence the Statute of Limitations, which was passed in the twenty

first year of the reign of King James I., to limit the time allowed to parties to commence their suits, so as to shorten litigation. In all civilized countries some period is prescribed by statute with this view. An instrument approaching the legal, though not the moral, end of its existence, may be brought back to infancy and have its life renewed, by the holder obtaining, say in answer to a letter, an acknowledgment in writing of the debt from the maker of the note.

Endorsements.

The act of writing the name upon the back of an instrument is called endorsing, which has two effects. It makes the endorser responsible for payment in the event of the maker failing to pay at maturity, and it makes an instrument that is payable to order, transferable. The forms of endorsement commonly in use are (taking a note payable to the order of John Jones as an example) :—

Endorsement in Blank, as

John Jones,

which has the effects just described.

Endorsement in Full, as,

Pay to the order of William Black,

JOHN JONES,

which makes the endorser responsible, and the instrument negotiable only after it has been endorsed by the endorsee, William Black.

Qualified Endorsement.

Without recourse to me.

JOHN JONES,

which relieves the endorser of responsibility, and simply make the instrument transferable.

Restrictive Endorsement,

Pay to Richard Brown.

JOHN JONES,

which makes the endorser responsible, but confines the payment to one person.

Other forms of qualifying endorsement are used, such as that placed on cheques sent by a clerk to the bank to be deposited to the firm's credit :

For deposit only,
JOHN BEATTY & Co.

The qualifying words make it impossible for the person making the deposit to draw the money.

Endorsements are often made to serve as receipts, as, for example, I draw a cheque to the order of S. Jones, instead of to S. Jones or bearer, because if drawn to order, Jones must sign his name on the back before he can receive payment. On paying and receiving back a note payable to order that has not been transferred, and consequently not endorsed, you should have the payee indicate that he had held it, or you could prove nothing by it. Have him endorse it and immediately cancel the endorsement. Notes that have been retired should be cancelled and filed away like receipts.

The Order of Endorser's Liability.

The holder of a note upon which there is an endorser or several endorsers has equal recourse against any of them and the maker at maturity. If he should be obliged to sue and should recover from the maker, that would discharge all the endorsers, should he recover from the first endorser that man would have recourse against the maker, but not against subsequent endorsers: should he recover from the second endorser that endorser would have recourse against all that preceded him, namely, the first endorser and the maker.

The Proceedings to be Taken on the Non-Payment of a Note Having an Endorser.

It is of the first importance to understand what should be done in the event of a note, having an endorser, being dishonored at maturity. The maker's liability is absolute, but the endorser's is conditional on his receiving notice of non-payment. A note that may be regarded as perfectly good before maturity, not because the drawer is reliable, but because the endorser upon it is financially sound, may, after it has become due, be worthless, if the proper steps to hold the endorser have not been taken. Having presented it at the place named by the drawer for its payment, and payment being refused, the holder is bound to notify the endorser, immediately, in order to have recourse against him. This will be best accomplished by handing the instrument to a Notary Public to be protested. The notary will make a demand for the payment and, being answered "No funds," will write out a protest, inserting in it the answer to his demand; and he will, within twenty-four hours, mail a notice of protest to the known address of the endorser or endorsers, from the

nearest post office to the place at which the note was payable. The protest will cost the holder, in the province of Ontario, fifty cents ; and each notice twenty-five cents and the postage ; which charges he will be entitled to collect from any of the parties to the note, as well as legal interest from the date of maturity. The production of the protest with the note in court will be sufficient *prima facie* evidence upon which to sue an endorser.

In this province, notaries are appointed without special examinations by the Ontario Government. They are usually attorneys, however. In the province of Quebec, the notarial is a distinct profession, as it is in France.

Waiving Protest.

By waiving protest an endorser renders it unnecessary for the holder to have an instrument protested. This is usually done, if before maturity, by the endorser writing the words on the back.

"Presentation and Protest waived."

JOHN JONES.

If at maturity :

I hereby accept notice of non-payment and waive protest.

JOHN JONES.

Protest may be waived by letter or telegram, should the endorser be absent from the place of payment at the date of maturity.

There is no necessity to protest a dishonored note upon which there is no endorser : the maker can be held for six years after maturity.

Paying or Making Partial Payments upon Notes.

When you pay a note or renew one, be sure that you get it back, and, if it has not been done already, cancel it, by writing "cancelled" or "paid" across the face, and run a pen through the maker's and endorser's names and thus render it valueless. If the payee should still be the holder he should, before returning it, endorse it, or place some written evidence upon it that he had been in possession of it, otherwise you could prove nothing by it. Put cancelled notes away in packages as you should receipts, for production at any time when necessary.

The importance of receiving back notes that have been paid was made very apparent to me by a circumstance that came under my observation recently. A man borrowed a sum of money upon two

notes from a note shaver, and he, in turn, discounted them at a bank. At the date of maturity the drawer duly appeared and tendered payment to the man from whom he borrowed, who accepted it, and gave a receipt. His excuse for not producing and returning the notes was that they were in the bank and it was inconvenient to go for them, but he promised to send them at an early day. In less than a week he skipped out without returning the notes, and of course the maker had to pay the amount to the bank as well as the notarial charges incurred in protesting them. Retail dealers, who have to ask for renewals from wholesale houses, are often careless about receiving back their old notes. It is not difficult to recall cases in which such paper has turned up in banks after the failure of a wholesale concern, and the easy-going dealer had to pay them.

When making partial payments upon notes, see that the payment is properly acknowledged on the back of the instrument, and take a separate receipt as well.

The Book-Keeping in Connection with Notes.

Any written obligation to pay money not under seal is termed in business by the holder a bill receivable, and by the maker or acceptor a bill payable. In book-keeping the accounts in the ledger with these are called, respectively, Bills Receivable account and Bills Payable account. Bills Receivable account is made Dr. when other peoples' notes and acceptances are received, and credited when they are disposed of. The difference or balance between the two sides should correspond with the notes on hand, and the account closes by balance, unless all the notes have been disposed of, when, of course, it will be simply ruled and footed.

Bills Payable account is credited when you issue a note or accept a draft, and debited when you redeem, or, as the word is, retire these obligations. The difference between the two sides should correspond with the obligations outstanding, and the account closes to balance, unless all the notes have been paid, when, like Bills Receivable account under like circumstances, it will be ruled and footed. The mere novice in book-keeping will understand and be able to deal with these accounts when, in the case of Bills Receivable, they are simply received and disposed of, and, in the case of Bills Payable, when they are simply issued and redeemed. But in the event of

Notes Having to be Renewed

more difficulty will be experienced. I shall take an example or two. A note of \$300 received from F. Spencer was duly debited to Bills Receivable and his account was credited. It stood at the debit of Bills Receivable until I disposed of it by discounting at the Bank of Commerce, when I made the bank debtor for the proceeds, discount debtor for the difference between the proceeds and the face of the note, and credited Bills Receivable account with the whole amount. My customer asks for a renewal of the note, and I consent. The renewal is for three months and the interest is to be added to the new note, making it \$305.20. I pay the old note by cheque, send it back to Spencer and get the new one. Entries for the cheque given to pay the note :

Bills Receivable.....	\$300.
To Bank.....	\$300.

This entry places the note where it was before it was discounted, and is the same that would be made by an endorser under any circumstances paying a note for a maker, except when the maker was considered financially worthless, when it would be charged to Profit and Loss.

Entries for the Renewal.

Bills Receivable Dr.....	\$305 20
To Bills Receivable.....	\$300 00
" Interest.....	5 20
The maker's entry for the same transaction would be :—	
Bills Payable Dr	\$300 00
Interest "	5 20
To Bills Payable.....	\$305 20

Partial Renewals.

Brown renews for you half the amount of a note for \$500.00 due to-day. You pay \$250 cash and give a new note for half the amount of the old one and interest on renewal, \$3.50.

1. Your entry : \$ c.	
Bills Payable Dr..	500 00
Interest	3 50
To cash.....	\$250 00
" Bills Payable....	253 50
2. His entry.	
Bills Receivable Dr	253 50
Cash.....	250 00
To Bills Receivable....	500 00
" Interest.....	3 50

Brown renews for you half the amount of a note for \$600.00, due to-day. You pay \$303.00, being half the amount, plus the interest on renewal, and you give a new note for half the amount of the old one.

3. Your entry :

Bills Payable Dr.	600 00
Interest "	3 00
To Cash.....	303 00
" Bills Payable.....	300 00

4. His entry.

Bills Receivable Dr	300 00
Cash "	303 00
To Bills Receivable....	600 00
" Interest.....	3 00

Where a cash book is kept of course the cash would have to be put through it. In that case the entries for No. 1, would be as follows :—

CASH CREDIT.

By Bills Payable.	For
part payment on No. 92,	
renewed as per Journal	
and Bill Book	250 00

JOURNAL.

Bills Payable Dr.	250 00
Interest "	3 50
To Bills Payable.....	253 50



DRAFTS.

Nearly all that I have said of notes is applicable to drafts: they differ, however, in form and in other respects. A note is a *promise* to pay, originating with the debtor; a draft is an *order* to pay, originating with the creditor, and addressed by him to the debtor. There are three parties to a draft—the *drawer*, the one that draws it; the *payee*, the one in whose favor it is drawn; the *drawee*, the one on whom it is drawn.

Robinson & Johnson, Belleville, are indebted to John Lovell & Son, Montreal, who desire that they shall pay at ten day's sight the amount to R. Miller, Son & Co., to whom John Lovell & Son are indebted, and to effect this they draw the following:—

Draft.

\$500.00.

MONTREAL, January 8th, 1887.

Ten days after sight pay to the order of *R. Miller, Son & Co., the sum of Five Hundred Dollars, for value received, and charge the same to the account of

†JOHN LOVELL & SON.

To ‡Robinson & Johnson,
Ontario Business College.
Belleville.

*Payee. †Drawer. ‡Drawee.

To make the draft binding upon Robinson & Johnson they will have to accept it, which they will do by writing across the face;

*Accepted January 10th, 1887, payable at the
Canadian Bank of Commerce, Belleville.
Robinson & Johnson.*

After which it is called an acceptance. Robinson & Johnson are now in the same position as if they had signed a promissory note, and John Lovell & Son are in the same position as the endorser on a note. It is customary to allow the drawee to choose the place of payment; in this case Robinson & Johnson name the Bank of Commerce, Belleville. If the draft were drawn at ten day's date instead

of ten day's sight there would be no necessity to place the date of acceptance upon it. In the former case the maturity would be reckoned from the day the draft was drawn, in the latter it is reckoned from sight.

The drawer of a draft may be both drawer and payee. If John Lovell & Son desired to collect for themselves the amount of Robinson & Johnson's debt they would draw the draft to their own order.

The entries of the parties to the above draft would be as follows ;

John Lovell & Son's would be	{ R. Miller, Son & Co., Dr. To Robinson & Johnson.
R. Miller, Son & Co.'s would be	{ Bills Receivable Dr. To John Lovell & Son.
Robinson & Johnson's would be	{ John Lovell & Son, Dr., To Bills Payable.

Drafts sent for acceptance or collection through a bank will be protested if dishonored, unless instructions to the contrary have been given, or a slip be pinned to the draft with the words printed or written upon it : "Not to be protested ; take this off before presenting." You may often succeed in collecting from a slow customer by the medium of a draft when dunning letters would fail to produce a cent. When drawing on a doubtful customer be sure to attach the "No Protest," for the reason that if your draft should be returned dishonored and protested you will have to pay the notarial charges yourself.

Bank Commission for Collecting.

The banks usually charge $\frac{1}{4}$ of 1% for making collections. If you wish to draw for a debt, say of \$200, in this province, and the drawee is to pay the exchange, the amount of your draft would be \$200.50. If the drawee resides in a distant part of the Dominion, or in the United States, and you cannot tell what the cost of collection will be, as the draft will have to pass through several banks before presentation and each be paid a commission, add the words after the amount in the body of the draft, "WITH EXCHANGE."

Kinds of Drafts.

There are three kinds of drafts, namely, Time, Sight, and Demand. Time drafts are those that are intended to run a certain time after acceptance. The only difference between a draft at sight and a draft

on demand is, that on the former the drawee can take three days of grace, and the latter is payable on presentation. When you desire to give the drawee a definite number of days for the payment of a draft after he accepts it, draw so many days after sight. If you draw so many days after date the time is fixed for the payment irrespective of the date of acceptance. For example, to give the drawee ten actual days from sight, draw at seven days sight : to give him four days, draw at one day's sight and so on. The days named and the three days of grace make the time the draft will mature after sight.

***Accommodation Draft ("Kite Flying.")**

It is not an unusual thing when an extensive wholesale house fails to hear of numerous failures among retail dealers in the same line. It will be found that disaster has come upon the latter because they have lent their names to the former too freely. To illustrate : I am doing a retail business in Belleville with a fair amount of capital, my largest creditor being John Blank & Co., of Toronto. They have placed me under obligation by renewing my paper occasionally, and otherwise indulging me. Better for me that they had not. They write and ask me to accept their draft at three months for \$500, beyond the amount that I owe them, giving the excuse that they have to buy a large amount of exchange to remit to England in the coming week, or they have heavy duties to pay ; and they remind me of the help they have given me in the past. Being of a grateful turn, and believing that the house of Blank & Co., could not be otherwise than sound, I consent, and duly accept the draft, hoping that I shall not be called upon again to accommodate them with my name. At the end of the three months they duly retire my acceptance and return it to me, as I knew they would. I am surprised, however, in a few days by a request to accept two more drafts of \$500 each, for their accommodation. Similar excuses are given and I assume an obligation of \$1000, for which I received no value. As time goes on similar requests continue, and so does my folly, until my name is upon their paper for a sum larger than my capital. They fail with this paper under discount at the bank, and as it would be impossible for me to pay it and discharge my legitimate obligations I too have to make an assignment. Need I add the caution—never accept accommodation drafts, or, as the expression is "fly kites" for any one. The man who accepts an accommodation draft is in a

*See "Accommodation Note" page 5.

worse position than the man who endorses an accommodation note. The latter can come on the maker, but the other being the primary debtor will only have an equitable right over against the estate of the man whom he accommodated.

A Bank Draft,

is a medium by which a remittance is made. You desire to send or carry money to a distance in a way that will be safe. Buy from a bank a draft payable on demand, at the place desired, to your order or to that of the person for whom the money is intended. It will cost you a quarter of one per cent. more than the face, and will be cashed at par at the branch or bank it is drawn upon.

If the draft is drawn upon a foreign country, it is called

A Bill of Exchange.

Bills of Exchange were not known to the ancients. We have records, however, of their use in the fourteenth century. It is probable that a Bill Exchange was in its origin nothing more than a letter of credit from a merchant in one country to his debtor, a merchant in another, requesting him to pay the debt to a third person who carried the letter, and was travelling to the place where the debtor resided.

This mode of making payments was found by experience extremely convenient for all parties—to the creditor for he could thus collect his debt without trouble, risk or expense; to the debtor, for the facility of payment was an equal accommodation to him; to the bearer of the letter who found himself in funds in a foreign country without the danger and incumbrance of carrying specie.

At first, perhaps, the letter alluded to many other things besides the order to pay money; but it was gradually disencumbered of all other matters, was left open, and the paper on which it was written gradually assumed the size and form now in use. The assignee was, perhaps, desirous to know beforehand whether the party to whom it was addressed would pay it, and sometimes showed it to him for that purpose; his consent to pay was the origin of acceptances.

Three, or at least two, bills are issued in a set, one of which being paid the others are void. The original object of issuing more than one bill was that they might be sent by different conveyances and whichever one was presented to the drawee first was paid. When the ocean mails were carried by sailing vessels delays were frequent. A vessel bearing the second of exchange, although sailing two weeks later than the one by which the first was sent, might reach its destina-

tion at an earlier date than the other. The punctuality of the ocean mails now, renders it usually unnecessary to remit more than one bill of the set.

Form of First of Exchange.

No. 159.

BELLEVILLE, ONT., 15th Feb., 1888.

Exchange for £100 Sterling.

Three days after sight of this first of exchange (second and third of the same date and tenor unpaid) pay to the order of W. B. Robinson the sum of One Hundred Pounds Sterling, for value received, and charge the same to the account of

The Atlantic Bank of Canada.

JOHN STIRLING, *Manager*.

ALBERT POWER, *Accountant*.

TO THE BANK OF SCOTLAND,
London, England.

Letter of Credit.

COLONIAL BANK, BARBADOS, W.I., 26th January, 1889.

Messrs. Brown Brothers & Co.,
Agents Colonial Bank,
New York

DEAR SIRS,—

You are hereby authorized to cash the Gold Drafts, without deduction, of Mr. Belfield Grannum on Mr. E. T. Grannum of this Island at 30 days sight to the extent of \$120, say One Hundred and Twenty Dollars, this Credit to remain in force for three months from date.

The Messrs. Grannum's signatures were sent you last year.

I am,

Dear Sirs,

Yours faithfully,

F. J. HOWELL,

Pro-Manager.

Circular Letters of Credit

are issued by some banks for use by travellers. They are more convenient than a bill of exchange, because money can be obtained upon them in various countries. The identification of the person to whose order a circular letter of credit is drawn is established by his signature on the margin, certified by the banker who issued it. Where he is an entire stranger, to prove his identity, he has only to submit his signature for comparison with that which he signed upon the margin.

QUESTIONS FOR REVIEW.

NOTES.

Give a definition of a Promissory Note. State the three reasons that make it desirable to hold a note against a debtor. Explain the term "discounting a note." Name the parties to a note. How are notes transferred? When may notes be transferred? Explain a non-negotiable note; a note negotiable without endorsement; a note negotiable by endorsement. Give the form of a non-negotiable note; a note negotiable by endorsement; a note negotiable without endorsement; a note payable on demand; a joint and several note. Explain a joint and several note. What are the rights of a third party in a negotiable note? What are the rights of an assignee of a non-negotiable note? Explain an accommodation note. Give an example, and state why it is made payable to the order of the endorser and not to the order of the lender. Explain a Lien note. Explain what is meant by the legal rate of interest. Under what circumstances would you insert the words "AS WELL AFTER AS BEFORE MATURITY UNTIL PAID" in a note bearing interest. What is a usury law? What are days of grace? When would a note drawn 3 months from October 26 fall due? When would a note drawn at ninety days from October 26 fall due? What is a power of attorney? How does the holder of a power of attorney sign business papers for his principal? What does the abbreviation *per pro* stand for? When does a note become outlawed? What is the Statute of Limitations? What is the act of endorsing? What are its effects? Explain endorsement in blank; endorsement in full; qualified endorsement; restrictive endorsement; endorsement for deposit only. How could you prove the payment of a note? What is the order of endorser's liability? What are the proceedings to be taken to hold endorser on a note not paid at maturity? What is waiving protest. Give examples. Why is it unnecessary to protest a note on which there is no endorser? How should partial payments be acknowledged on notes? When you have paid a note what should you do with it? When renewing your note what should you receive? What is a bill receivable? What is a bill payable? In book-keeping what are the accounts representing notes called? Analyse the bills receivable account. Analyse the bills payable account. Give the entries of the maker having a note renewed. Give the entries of the holder when renewing a note. Give the entries of each for partial renewals.

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QUESTIONS FOR REVIEW.

DRAFTS.

Explain the difference between a note and a draft. How many parties are there to a draft? Name them. Explain each one's position. Which one accepts the draft? Give an example of a draft with three firms or persons concerned. How is a draft payable ten days after *sight* accepted? How is a draft payable ten days after *date* accepted? From what date do you reckon the maturity of a draft drawn ten days after sight? From what date do you reckon the maturity of a draft drawn ten days after date? What is a draft called after it has been accepted? What party to an acceptance stands in the same position as the maker of a note? What party to a draft stands in the same position as the endorser on a note? Under what circumstances are the drawer and payee of a draft the same person? To whose order is it made payable? Give the drawer's entry for a time draft. Give the payee's entry. Give the drawee's entry. What will be done when a draft is dishonored? How may protest be avoided if desired? What is the usual rate of bank commission for collecting drafts? How will you ensure the collection of a definite sum when you cannot tell how much the exchange will be? Name the three kinds of drafts. Explain each. To give a person four clear days to pay a draft, no matter how long it may take to reach him, how would you draw it? To give him fifteen days? To give him three days? To give no time? What is an accommodation draft? What expression is used to describe this method of raising money? What is the object of a bank draft? What does *par* mean? When is a draft called a bill of exchange? What was its origin? How many bills are usually issued in a set of exchange? Why is more than one issued? Give the form of the first bill in a set of exchange? The second? The third? What is a letter of credit?

ONTARIO BUSINESS COLLEGE,
BELEVILLE



In the Twentieth Annual Circular of the Ontario Business College, just published, will be found the amplest evidence that this institution occupies a position not reached by any similar one in Canada. Among merchants and practical accountants this fact is everywhere acknowledged, and in consequence its graduates are pre-eminently successful in securing the confidence of business men. It has had students from twenty-one different states and provinces, including three of the West India Islands.

W. B. ROBINSON,
J. W. JOHNSON, F.C.A. } Principals.

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